

Message Text

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ACTION EA-10

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TO USDA/FAS/WASHDC
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FOR K. STEPHENS/CEP AND D. WILLIAMS/COT/IMD
STATE/J. WILLIAMS/F&TD

SUBJECT: COTTON CONTRACT PROBLEM

TOFAS 85.

FOLLOWING LETTER RECEIVED FROM GOVERNOR JOSE V. DE OCAMPO
OF DEVELOPMENT BANK OF THE PHILIPPINES: QUOTE

JUNE 16, 1975
MR. GLENN SAMSON
AGRICULTURAL ATTACHE
AMERICAN EMBASSY
ROXAS BOULEVARD
M A N I L A

DEAR MR. SAMSON:

THIS HAS REFERENCE TO THE PAST DUE COTTON CONTRACTS OF YUPANGCO
COTTON MILLS, INC., AS FOLLOWS:

CONTRACT		PERIOD DISTRIBUTION				
DATE	NUMBER	QUANTITY	I	II	III	SUPPLIER
9/11/73	DB/109/AMER/S	330	330 (A)	-	-	RALLI CONEY
10/10/73	CAG 439	500	500 (B)	-	-	COTTON IMPORT & EXPORT CO.

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10/11/73 CAG 440 1,000 1,000 (B) - - -DO-

12/6/73 CAH 31 6,000 2,000 3,000 1,000 -DO-

(A) L/C OPENED. COTTON ALREADY SHIPPED.

(B) COVERED BY YUPANGCO'S DAMAGE SUIT AGAINST EXPORTER FOR INFERIOR QUALITY OF COTTON SHIPPED UNDER EARLIER CONTRACTS, FILED WITH A PHILIPPINE COURT.

IN DBP'S LETTER DATED MAY 6, 1975 TO MR. RODOLFO REYES, LOCAL REPRESENTATIVE OF COTTON IMPORT AND EXPORT COMPANY, A COMPROMISE POSITION WAS OUTLINED TO RESOLVE THE PROBLEM ON THE PASUT DUE CONTRACTS OF YUPANGCO WITH COTTON IMPORT AND EXPORT COMPANY, AS FOLLOWS:

FOR THE 1500 BALES OF COTTON ALREADY SHIPPED (CAG 439 AND 430)

NO DAMAGES NEED BE PAID TO YUPANGCO COTTON MILLS BY CIEC FOR THE INFERIOR QUALITY OF COTTON SHIPPED, PROVIDED THE REMAINING CONTRACT FOR 1500 MORE BALES OF COTTON YET TO BE SHIPPED IS CONSIDERED CANCELLED.

FOR 6000 BALES OF COTTON YET TO BE COVERED BY L/C (CAH 31)

THE PRICE SHALL BE ADJUSTED TO \$58.50 C & F AND THE TYPE OF COTTON CHANGED TO SM 1 - 3/32 CALIFORNIA/ ARIZONA COTTON, STRICT MIDDLING MARCONI 3.8, 84,000 AND UP.

IT WAS STIPULATED THAT SHOULD DBP AND/OR YUPANGCO FAIL TO HEAR FROM CIEC ON ABOVE PROPOSAL BY MAY 21, 1975, YUPANGCO'S PAST DUE CONTRACTS WILL HAVE TO BE SET ASIDE AND YUPANGCO WILL BE ALLOWED TO BUY COTTON FROM OTHER SUPPLIERS TO ENABLE YUPANGCO TO CONTINUE OPERATIONS AND PREVENT THE LAY-OFF OF WORKERS.

ABOVE PROPOSAL WAS NOT ACCEPTED BY MR. MAX B. VERNON, PRESIDENT OF CIEC, PER HIS CABLEGRAMS TO DBP DATED MAY 15 AND 16, 1975 AND TO THE U.S. EMBASSY DATED MAY 19, 1975. MR. VERNON INSTEAD INSISTED THAT YUPANGCO HONOR ITS CONTRACTS IN ACCORDANCE WITH DBP'S LETTER DATED MAY 8, 1975. MR. VERNON, NEVERTHELESS, OFFERED TO CANCEL ALL CARRYING CHARGES AMOUNTING TO US \$243,750 (\$78,750 FOR CONTRACT NUMBERS CAG 439 AND 440 AND \$165,000 FOR CAH 31).

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ON MAY 28, 1975, DBP REPLIED TO ABOVE CABLEGRAMS AS FOLLOWS:

COTTONIMEX
DALLAS

ATTN MR MAX B VERNON PRESIDENT

REURCAB MAY 17 TO MR GLENN SAMSON PERTAINING TO OUTSTANDING
COTTON CONTRACTS OF YUPANGCO TOTALLING 7,500 BALES MAY WE
REQUEST THAT YOU RENEW YOUR PROPOSAL MADE IN FEBRUARY TO
YUPANGCO ON ALTERATION OF GROWTH AND QUALITY OF 7,500 BALES
BUT AT THE SAME CONTRACTED PRICES STOP WE SHALL URGE YUPANGCO
TO ACCEPT THIS FOR IMMEDIATE SOLUTION OF PROBLEM STOP PLEASE
WIRE YOUR CONFIRMATION OR REPLY SOONEST THANKS REGARDS

CIEC REPLIED TO OUR ABOVE CABLE, REJECTING OUR PROPOSAL.

CONSIDERING THAT THE COTTON SHIPPED UNDER CONTRACT NUMBERS CAG 439
AND 440 ARE OF INFERIOR QUALITY AND THAT THE 7,500 BALES OF COTTON
YET TO BE SHIPPED MAY CONSIST OF THE SAME POOR QUALITY COTTON,
YUPANGCO WILL BE ADVERSELY AFFECTED SHOULD IT BE FORCED TO HONOR ITS
CONTRACTS WITH CIEC. PLEASE NOTE THAT WHAT DBP PROPOSED IN ITS CABLE
OF MAY 28TH WAS ACCEPTABLE TO CIEC LAST FEBRUARY. YET CIEC HAS NOW
CHANGED ITS STAND AND REFUSES TO GIVE ANY CONCESSION TO YUPANGCO.
THE CARRYING CHARGES CIEC IS PREPARED TO WAIVE IS A CONCESSION ACTU-
ALLY ACCORDED EVEN BY OTHER SUPPLIERS WHO DO NOT HAVE ANY CONTROVER-
SIES WITH THE LOCAL MILLERS.
WE THEREFORE SUGGEST THAT EITHER CIEC OR YUPANGCO BRING THIS CASE
TO A COURT FOR ARBITRATION. WE SHALL ABIDE BY WHATEVER DECISION THE
COURT MAY REACH ON THE CASE.

MEANWHILE, WE SHALL ACCORDINGLY ALLOW YUPANGCO TO OPEN LETTERS OF
CREDIT UNDER FREE DOLLARS FOR ITS COTTON REQUIREMENTS, TO ENABLE
YUPANGCO TO AT LEAST CONTINUE OPERATING AND PREVENT THE LAY-OFF
OF 2,000 LABORERS.
VERY TRULY YOURS,

J. V. DE OCAMPO
VICE CHAIRMAN

END OF QUOTE.
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